

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact (Section 2-7-71)

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**Date:** March 8, 2007

**Bill Number:** H.B. 3300

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**Committee Requesting Impact:** House Ways and Means

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-37-226 so as to exempt from property tax increases in value attributable to periodic reassessment of owner-occupied residential property allowed the homestead exemption for persons over age sixty-five years of age or who are totally and permanently disabled, and to provide for the duration of this exemption.

### REVENUE IMPACT <sup>1/</sup>

This bill is not expected to impact state or local revenue. Although the amount of value used to calculate property taxes would be decreased from the fair market value because of the exemption, local governments are expected to adjust their millages to the extent allowed by the millage caps to make up for the exempted fair market value in order to keep revenue growth at its historical rate. This bill would change the incidence of local property taxes by shifting \$14.9 million among and within the classes of property in the first year. By the fifth year when all the counties have been reassessed, the total dollar amount shifted among and within the classes of property rises to \$33.1 million. Those changes from the levels that would occur in the absence of this bill are as follows:

Category (\$ Million)	First Year	Fifth Year
Owner Occupied	-12.8	-28.5
Agricultural	0.1	0.4
Commercial/Rental	4.7	10.3
Personal Property (Vehicles)	2.7	6.0
Manufacturing	2.4	5.4
Utility	1.9	4.3
Business Personal	0.9	2.0

### Explanation

Under current law, each county is required to be reassessed every five years. This bill would exempt owner-occupied residential real property eligible for the four percent assessment ratio that receives the \$50,000 Homestead Exemption from any increases in fair market value attributable to reassessment as long as a person stays in the same house. This exemption would not apply to value attributable to previously untaxed additions or improvements. This exemption would also not apply to real property that had undergone an assessable transfer of interest. Data from the Index of Taxpaying Ability shows the total assessed value of all owner-occupied homes increased from 3.3 billion in Tax Year 2000 to 4.5 Billion in Tax Year 2004. This would equate to about \$350 million of increased property tax revenue. The Homestead Exemption Fair Market Value Statistics Report from the Comptroller General's Office shows that 326,096 homes received the Homestead Exemption in Tax Year 2005. Based on this data and conversations with county assessors that said, on average, the increase in value due to reassessment was around 20%, taking into account the 15% cap on reassessment in Act 388, we estimate this bill would change the incidence of local property taxes by shifting \$14.9 million among and within the classes of property in the first year. By the fifth year when all the counties have been reassessed, the total dollar amount shifted among and within the classes of property rises to \$33.1 million.

/s/ WILLIAM C. GILLESPIE, Ph.D.

William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Gibson

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact, Section 2-7-76 for a local revenue impact, and Section 6-1-85(B) for an estimate of the shift in local property tax incidence.